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# Marketing Margins for White Bread

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE
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Even a half-cent rise in the price of bread is of interest to the entire community, particularly when bread prices have been increasing each year for more than a decade. During the last 10 years, average retail prices have risen 5.4 cents per pound loaf, or 39 percent. The largest annual rise of 1.4 cents occurred between 1950 and 1951. The smallest rise of one-tenth of 1 cent took place between 1948 and 1949 when there was some slackening of economic activity.

The price of wheat and all other ingredients used in making bread declined 0.4 cent between 1948 and 1958. Thus the marketing margin increased 5.8 cents owing to higher marketing costs rather than higher costs of raw material. The rise in bread prices corresponded rather closely to the rise of hourly earnings of employees in the milling and baking industries and to increases in the price of supplies used by millers and bakers.

This report shows the changes in bread prices, margins, and costs from 1948 through 1958. It is one of a series of reports on studies of food marketing costs and margins being prepared by the USDA, and is part of a broad program of research designed to reduce the cost of marketing farm products.

The Department keeps current data on bread prices and margins, and will continue to publish them quarterly in "The Marketing and Transportation Situation."

*Revised April 1959*

**The difference between the price the farmer gets for a given quantity of wheat and other ingredients and the price the consumer pays for the bread that can be made from it is known as the PRICE SPREAD, or MARKETING MARGIN. The marketing margin includes all charges for handling, transporting, and milling the wheat, and for baking and retailing the bread.**



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# BREAD PRICES RISE 12TH YEAR IN SUCCESSION

Bread prices have risen every year since 1945. Consumers in 1958 paid an average price of 19.3 cents for a 1-pound loaf of bread, a new high level, 39 percent above the 13.9 cents paid in 1948. The increase during 1957 was nearly 1 cent per loaf over 1956. Most of the rise in retail bread prices since 1948 has come from increases in costs to the bakers. The rise took place without any significant changes in services rendered such as have occurred in a number of other food items.

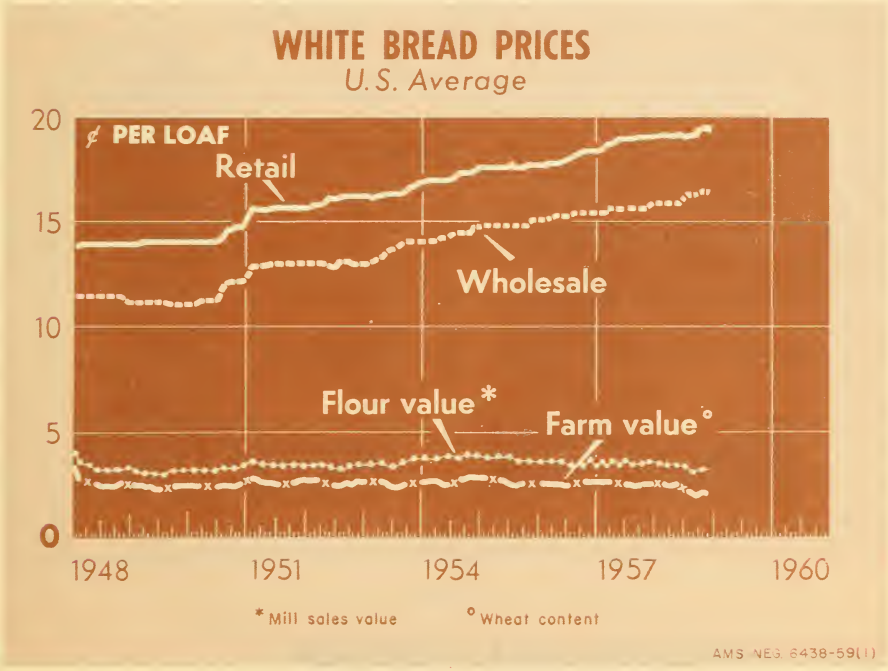



Figure 1

A bushel of wheat yields enough flour to make about sixty-seven 1-pound loaves of white bread and 17.1 pounds of millfeed. In 1948 if the wheat farmer had exchanged a bushel of wheat for white bread at the grocery store, he would have received about 15 loaves. The rest of the bushel—enough wheat for 52 loaves plus millfeed—would have gone to pay for transportation, storage, milling, baking, retailing, and other marketing services. In 1958 the farmer would have received only 10 loaves per bushel.

## FARMER'S SHARE DECREASED

The farm value decreased from 3.4 cents in 1948 to 3.0 cents in 1958. This decrease in farm value plus the increase in the retail price was accounted for by an increase in marketing charges. While retail bread prices rose in 1958, the farm value of the ingredients decreased from the levels of 1955 through 1957. The farmer's share of the retail price of a loaf declined from 24 percent in 1948 to 16 percent in 1958.

The farmer's share of the retail price decreased from the level of the preceding year in 6 of the 10 years.

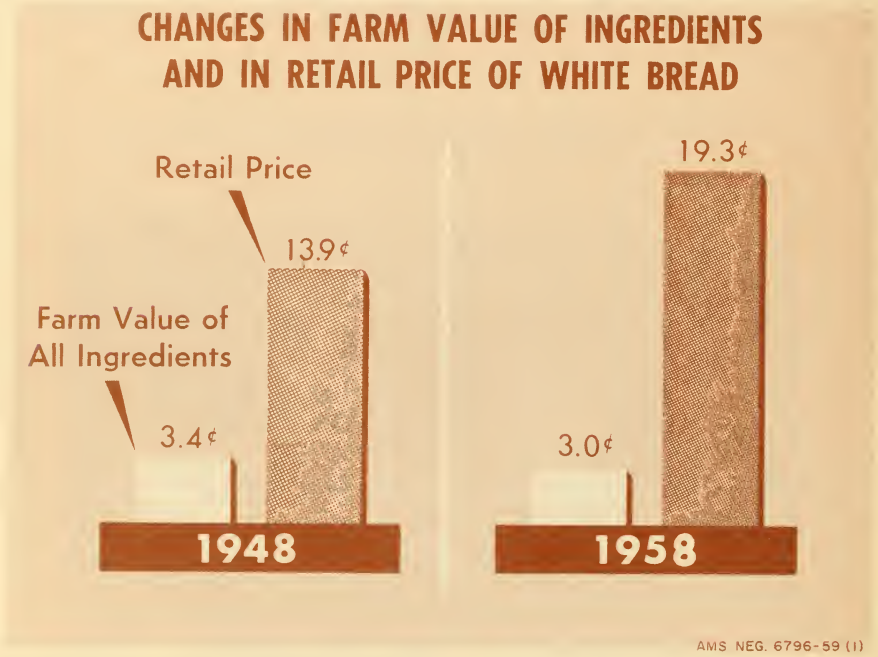



Figure 2

## WHY PRICE SPREAD WIDENED

The widening of the price spread in 1957 was due primarily to higher costs at the bakery. Hourly earnings in bread bakeries in 1957 were approximately 8 cents higher than in 1956. This increase was about the same as in the years immediately preceding, and like the earlier ones appears to have been passed on to the consumer. Other noningredient costs such as wrapping materials also rose. Retailers' margins have increased somewhat. Although in 1957 hourly earnings in the flour milling industry increased, flour prices did not rise. Instead, they tended to reflect stable wheat prices.

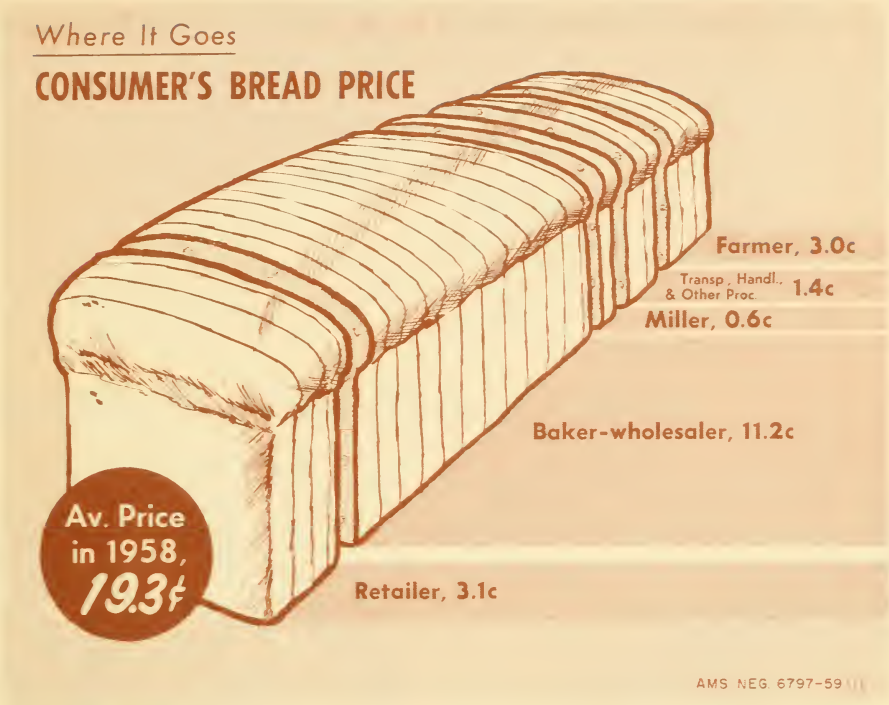



Figure 3

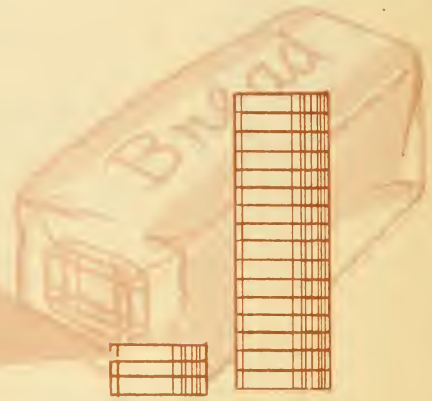
TABLE 1.—*Distribution of retail price of bread, by recipients, 1948 and 1958*

| Recipient | 1948 | | 1958 | |
|---|---|---|---|---|
| | Actual amount | Percentage | Actual amount | Percentage |
| | *Cents* | *Percent* | *Cents* | *Percent* |
| Farmers | 3. 4 | 24 | 3. 0 | 16 |
| Grain elevators, transportation agencies, and processors of nonflour ingredients | 1. 2 | 9 | 1. 4 | 7 |
| Flour mills | . 6 | 4 | . 6 | 3 |
| Baker-wholesalers | 6. 3 | 45 | 11. 2 | 58 |
| Grocers | 2. 4 | 18 | 3. 1 | 16 |
| Total | 13. 9 | 100 | 19. 3 | 100 |

These same factors were active as the retail price of bread increased 39 percent between 1948 and 1958. During this period 91 percent of the 5.4-cent increase in the retail price was accounted for by increases in the baker-wholesaler margin. Labor costs per loaf increased a little faster than other costs in the baker-wholesaling operation. They represented 49 percent of the margin in 1957 as compared to 46 percent in 1945 (table 3).

The millers' margin remained stable and the farm value declined slightly. The retailers' margin and the other handlers' and processors' margin increased slightly during this period.

## FARMER GETS SMALL PART OF BREAD DOLLAR




Based upon preliminary data, only 3.0 cents of the average amount—19.3 cents—paid by consumers for a pound of white bread in 1958 was returned to farmers for wheat and other ingredients of farm origin such as lard, sugar, and dried milk (table 1). The wheat farmers received about 2.4 cents of this amount, compared with 2.4 cents in 1949 and 2.7 cents in 1954–55, the low and high years within the decade. Even if the farmer had donated his wheat, white bread would still have cost consumers about 17 cents per loaf in 1958.

Farm value of other ingredients was 0.6 cent per pound of bread in 1958, about the same as in 6 of the last 10 years. During the decade it reached a high point of 0.8 cent in 1948.

## FARMER'S PRICES DON'T GOVERN BREAD PRICES

Farm values of wheat, sugar beets or sugarcane, milk, and hogs (lard) amount to such a small portion (16 percent in 1958) of the total price of bread that considerable fluctuations can take place in farm prices without affecting the price of the finished product.

The farmer's share is not significantly altered by the choice of bread formula because the amounts of nonflour ingredients are small. To 100 pounds of flour are added 2½ to 4½ pounds of lard, 6 to 9 pounds of sugar, 3 to 5½ pounds of dry milk, and approximately 65 pounds of water plus minor ingredients to produce 150 to 165 pounds of baked bread. Shifts of ingredients within the ranges possible do not have any significant effect on the farmer's share.

## MILLING MARGIN CHANGES LITTLE

First processing of wheat is done at the flour mill where the wheat is ground and emerges as flour of different types. Charges for converting 0.894 pound of wheat to 0.649 pound of flour needed for a 1-pound loaf of bread accounted for about six-tenths of a cent between 1948 and 1958 (table 2). From 1948 through 1957 average hourly earnings of grain mill production workers rose 63 percent. Increasing product diversification explains in part why this considerable increase in wage costs has not exerted more pressure on flour prices than it has. Table 2 indicates the trend of average prices of flour.

Figure 4

TABLE 2.—*White pan bread: Estimated retail and gross margins, estimated farm value of ingredien*

| Year and quarter | Retail price [2] | Retail margin [3] | Whole-sale price [4] |
|---|---|---|---|
| | *Cents* | *Cents* | *Cents* |
| 1947 | 12. 5 | 1. 9 | 10. 6 |
| 1948 | 13. 9 | 2. 4 | 11. 5 |
| 1949 | 14. 0 | 2. 8 | 11. 2 |
| 1950 | 14. 3 | 2. 7 | 11. 6 |
| 1951 | 15. 7 | 2. 7 | 13. 0 |
| 1952 | 16. 0 | 3. 0 | 13. 0 |
| 1953 | 16. 4 | 2. 9 | 13. 5 |
| 1954 | 17. 1 | 2. 7 | 14. 4 |
| 1955 | 17. 5 | 2. 6 | 14. 9 |
| 1956 | 17. 9 | 2. 6 | 15. 3 |
| 1957 | 18. 8 | 3. 1 | 15. 7 |
| 1958 | 19. 3 | 3. 1 | 16. 2 |
| *1957* | | | |
| January–March | 18. 5 | 2. 9 | 15. 6 |
| April–June | 18. 8 | 3. 1 | 15. 7 |
| July–September | 18. 9 | 3. 2 | 15. 7 |
| October–December | 19. 0 | 3. 3 | 15. 7 |
| *1958* | | | |
| January–March | 19. 1 | 3. 2 | 15. 9 |
| April–June | 19. 2 | 3. 2 | 16. 0 |
| July–September | 19. 4 | 3. 0 | 16. 3 |
| October–December | 19. 6 | 3. 2 | 16. 4 |

[1] The retail price, farm value, and farm-retail spread or marketing margin for the years 1919–56 were published in "Farm-Retail Spreads for Food Products," U. S. Dept. Agr., Misc. Pub. 741, Nov. 1957, p. 117. Comparable data for the other series in the table are not available for the years before 1947.

[2] Average of retail prices in 46 urban areas reported by Bureau of Labor Statistics, with adjustments for 1954 and 1955.

[3] Spread between retail and wholesale prices.

[4] Derived from prices published by the Bureau of Labor Statistics and trade data.

[5] Spread between wholesale price and cost to the baker of all ingredients.

[6] Cost of flour, shortening, nonfat dry milk, sugar, and other ingredients in a pound of bread, adjusted to level of cost to baker as reported in the Census of Manufacturers.

[7] Weighted average wholesale value of 0.641 pound of several types

*lesale prices of a pound loaf, retailer's, baker-wholesaler's, and miller's nd farmer's share of retail price, annual 1947–58, quarterly 1957–58* [1]

| er- e- r in [5] | Cost to baker | | Mill sales value of flour [8] | Miller's flour margin [9] | Cost of wheat to miller [10] | Farm value | | Farmer's share | |
|---|---|---|---|---|---|---|---|---|---|
| | All ingredients [6] | Flour [7] | | | | Wheat [11] | All ingredients [12] | Wheat | All ingredients |
| ts | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* | *Percent* | *Percent* |
| 1 | 5. 5 | 3. 9 | 3. 8 | 0. 7 | 3. 1 | 3. 0 | 3. 7 | 24 | 30 |
| 3 | 5. 2 | 3. 5 | 3. 4 | . 6 | 2. 8 | 2. 6 | 3. 4 | 19 | 24 |
| 6 | 4. 6 | 3. 2 | 3. 1 | . 5 | 2. 6 | 2. 4 | 2. 9 | 17 | 21 |
| 9 | 4. 7 | 3. 4 | 3. 3 | . 6 | 2. 7 | 2. 5 | 3. 0 | 17 | 21 |
| 8 | 5. 2 | 3. 6 | 3. 4 | . 6 | 2. 8 | 2. 6 | 3. 3 | 17 | 21 |
| 1 | 4. 9 | 3. 5 | 3. 4 | . 6 | 2. 8 | 2. 6 | 3. 2 | 16 | 20 |
| 4 | 5. 1 | 3. 7 | 3. 5 | . 6 | 2. 9 | 2. 5 | 3. 1 | 15 | 19 |
| 9 | 5. 5 | 4. 0 | 3. 8 | . 6 | 3. 2 | 2. 7 | 3. 3 | 16 | 19 |
| 6 | 5. 3 | 3. 9 | 3. 7 | . 6 | 3. 1 | 2. 7 | 3. 2 | 15 | 18 |
| 1 | 5. 2 | 3. 7 | 3. 6 | . 6 | 3. 0 | 2. 6 | 3. 2 | 15 | 18 |
| 5 | 5. 2 | 3. 7 | 3. 6 | . 6 | 3. 0 | 2. 6 | 3. 2 | 14 | 17 |
| 2 | 5. 0 | 3. 6 | 3. 4 | . 6 | 2. 8 | 2. 4 | 3. 0 | 12 | 16 |
| 4 | 5. 2 | 3. 7 | 3. 6 | . 6 | 3. 0 | 2. 7 | 3. 3 | 15 | 18 |
| 5 | 5. 2 | 3. 7 | 3. 6 | . 6 | 3. 0 | 2. 6 | 3. 2 | 14 | 17 |
| 5 | 5. 2 | 3. 7 | 3. 5 | . 6 | 2. 9 | 2. 5 | 3. 1 | 13 | 16 |
| 5 | 5. 2 | 3. 7 | 3. 5 | . 5 | 3. 0 | 2. 6 | 3. 2 | 14 | 17 |
| 7 | 5. 2 | 3. 7 | 3. 5 | . 6 | 2. 9 | 2. 6 | 3. 2 | 14 | 17 |
| 9 | 5. 1 | 3. 7 | 3. 5 | . 6 | 2. 9 | 2. 5 | 3. 1 | 13 | 16 |
| 4 | 4. 9 | 3. 5 | 3. 3 | . 7 | 2. 6 | 2. 2 | 2. 8 | 11 | 15 |
| 5 | 4. 9 | 3. 5 | 3. 3 | . 6 | 2. 7 | 2. 3 | 2. 8 | 12 | 14 |

of bread flour in 5 markets, adjusted to the level of cost to baker as reported in the Census of Manufacturers.

[8] Weighted average wholesale value of 0.641 pound of several types of bread flour in 5 markets, adjusted to mill sales level as reported in the Census of Manufacturers.

[9] Spread between cost of wheat to miller and sales value of flour.

[10] Weighted average wholesale value in 6 markets of 0.894 pound of major classes and grades of wheat used for milling bread flour, adjusted to level of cost to miller as reported in the Census of Manufacturers, and further adjusted to eliminate imputed value of millfeed byproducts.

[11] Payment to farmers for 0.894 pound of wheat less imputed value of millfeed byproducts, based on average price received by farmers for all wheat.

[12] Value at prices received by farmers, less byproduct allowances, for the quantity of wheat and other farm products yielding ingredients used in a pound loaf of white bread.

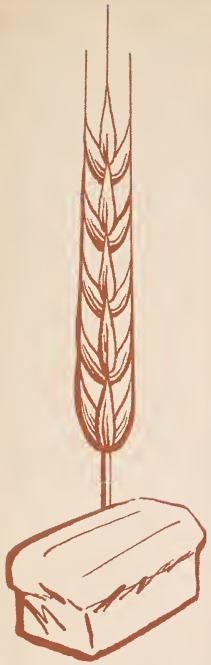


TABLE 2.—*White pan bread: Estimated retail and wholesale prices of a pound loaf, retailer's, baker-wholesaler's, and miller's gross margins, estimated farm value of ingredients; and farmer's share of retail price, annual 1947–58, quarterly 1957–58* [1]

| Year and quarter | Retail price [2] | Retail margin [3] | Wholesale price [4] | Baker-wholesaler margin [5] | Cost to baker | | Mill sales value of flour [8] | Miller's flour margin [9] | Cost of wheat to miller [10] | Farm value | | Farmer's share | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | All ingredients [6] | Flour [7] | | | | Wheat [11] | All ingredients [12] | Wheat | All ingredients |
| | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* | *Percent* | *Percent* |
| 1947 | 12.5 | 1.9 | 10.6 | 3.1 | 5.5 | 3.9 | 3.8 | 0.7 | 3.1 | 3.0 | 3.7 | 24 | 30 |
| 1948 | 13.9 | 2.4 | 11.5 | 6.3 | 5.2 | 3.5 | 3.4 | .6 | 2.8 | 2.6 | 3.4 | 19 | 24 |
| 1949 | 14.0 | 2.8 | 11.2 | 6.6 | 4.6 | 3.2 | 3.1 | .5 | 2.6 | 2.4 | 2.9 | 17 | 21 |
| 1950 | 14.3 | 2.7 | 11.6 | 6.9 | 4.7 | 3.4 | 3.3 | .6 | 2.7 | 2.5 | 3.0 | 17 | 21 |
| 1951 | 15.7 | 2.7 | 13.0 | 7.8 | 5.2 | 3.6 | 3.4 | .6 | 2.8 | 2.6 | 3.3 | 17 | 21 |
| 1952 | 16.0 | 3.0 | 13.0 | 8.1 | 4.9 | 3.5 | 3.4 | .6 | 2.8 | 2.6 | 3.2 | 16 | 20 |
| 1953 | 16.4 | 2.9 | 13.5 | 8.4 | 5.1 | 3.7 | 3.5 | .6 | 2.9 | 2.5 | 3.1 | 15 | 19 |
| 1954 | 17.1 | 2.7 | 14.4 | 8.9 | 5.5 | 4.0 | 3.8 | .6 | 3.2 | 2.7 | 3.3 | 16 | 19 |
| 1955 | 17.5 | 2.6 | 14.9 | 9.6 | 5.3 | 3.9 | 3.7 | .6 | 3.1 | 2.7 | 3.2 | 15 | 18 |
| 1956 | 17.9 | 2.6 | 15.3 | 10.1 | 5.2 | 3.7 | 3.6 | .6 | 3.0 | 2.6 | 3.2 | 15 | 18 |
| 1957 | 18.8 | 3.1 | 15.7 | 10.5 | 5.2 | 3.7 | 3.6 | .6 | 3.0 | 2.6 | 3.2 | 14 | 17 |
| 1958 | 19.3 | 3.1 | 16.2 | 11.2 | 5.0 | 3.6 | 3.4 | .6 | 2.8 | 2.4 | 3.0 | 12 | 16 |
| *1957* | | | | | | | | | | | | | |
| January–March | 18.5 | 2.9 | 15.6 | 10.4 | 5.2 | 3.7 | 3.6 | .6 | 3.0 | 2.7 | 3.3 | 15 | 18 |
| April–June | 18.8 | 3.1 | 15.7 | 10.5 | 5.2 | 3.7 | 3.6 | .6 | 3.0 | 2.6 | 3.2 | 14 | 17 |
| July–September | 18.9 | 3.2 | 15.7 | 10.5 | 5.2 | 3.7 | 3.5 | .6 | 2.9 | 2.5 | 3.1 | 13 | 16 |
| October–December | 19.0 | 3.3 | 15.7 | 10.5 | 5.2 | 3.7 | 3.5 | .5 | 3.0 | 2.6 | 3.2 | 14 | 17 |
| *1958* | | | | | | | | | | | | | |
| January–March | 19.1 | 3.2 | 15.9 | 10.7 | 5.2 | 3.7 | 3.5 | .6 | 2.9 | 2.6 | 3.2 | 14 | 17 |
| April–June | 19.2 | 3.2 | 16.0 | 10.9 | 5.1 | 3.7 | 3.5 | .6 | 2.9 | 2.5 | 3.1 | 13 | 16 |
| July–September | 19.4 | 3.0 | 16.3 | 11.4 | 4.9 | 3.5 | 3.3 | .7 | 2.6 | 2.2 | 2.8 | 11 | 15 |
| October–December | 19.6 | 3.2 | 16.4 | 11.5 | 4.9 | 3.5 | 3.3 | .6 | 2.7 | 2.3 | 2.8 | 12 | 14 |

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[7] Weighted average wholesale value of 0.641 pound of several types of bread flour in 5 markets, adjusted to the level of cost to baker as reported in the Census of Manufacturers.

[8] Weighted average wholesale value of 0.641 pound of several types of bread flour in 5 markets, adjusted to mill sales level as reported in the Census of Manufacturers.

[9] Spread between cost of wheat to miller and sales value of flour.

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[11] Payment to farmers for 0.894 pound of wheat less imputed value of millfeed byproducts, based on average price received by farmers for all wheat.

[12] Value at prices received by farmers, less byproduct allowances, for the quantity of wheat and other farm products yielding ingredients used in a pound loaf of white bread.

## HANDLING, TRANSPORTATION, AND OTHER PROCESSING CHARGES UP

Between the farm gate and the consumer's table, a number of handling and processing steps take place and each must be paid for. The difference between the farm value of ingredients and their value at the bakery, less the mill margin, constitutes marketing charges covering storage, insurance, transportation, handling, and processing of ingredients other than flour. Over the decade these charges rose from 1.2 cents to 1.4 cents a loaf.

Despite these upward trends, the costs of performing these essential services still remain a small part of the price of a loaf of bread. A bushel of wheat moves from the farm into a country elevator and thence to a flour mill as much as 1,600 miles distant, perhaps stopping at a terminal elevator on the way, all for approximately 45 cents. This is possible despite such increased charges as the 70 percent rise in rail rates on grain and grain products between 1948 and 1957.

## WHOLESALE BAKERY MARGINS AND COSTS UP

From the flour mill a 100-pound sack of flour moves by rail or truck to a bakery. There the number of services performed multiplies swiftly. Before the finished loaf of bread is placed in the grocery, its ingredients have been stored, processed for baking, and baked; the bread itself has been sliced, wrapped, and delivered.

The bakery margin consists of the difference between the cost of ingredients to the bakery and the selling price of bread to the grocer in the case of wholesale bakers or to consumers in the case of house-to-house, chainstore, and retail bakeries. The wholesale bakery accounts for the largest amount of baked goods. It is estimated that the wholesale bakeries sold white bread to grocery stores in 1958 for approximately 16.2 cents per pound. Deducting from this the cost of ingredients amounting to 5.0 cents gives a wholesale bakery a margin of 11.2 cents (table 2).

Figure 5

Hourly earnings of workers employed in plants producing all types of bakery products rose more than a fifth between 1948 and 1951. Since 1951 Bureau of Labor Statistics has published hourly earnings of production workers in bread-baking plants and similar establishments. By 1957 average hourly earnings of this group were about a third above 1951 levels, with part of the increase taking place each year. It is estimated that in 1957 a little more than 5 cents of the 10.5-cent baker-wholesaler's margin was used to pay wages and salaries (table 3). In 1945 the wages and salaries represented about 1.9 cents out of the margin of about 3.9 cents per loaf.

In addition, fringe benefits increased ninefold between 1945 and 1957. Social security taxes more than doubled and compensation of officers about trebled during the period. In 1945 all three of these items represented 0.08 cent per loaf and in 1957 about 0.4 cent.

Large baking plants have been meeting the challenge of rising labor costs by increased mechanization. Improvements have been made in handling the bulk of ingredients. Flour can now be delivered in portable bins or moved by air pressure through tubes from trucks or rail cars into storage bins, whence it flows by gravity in most instances to the production floor.

Offsetting these efforts is the growing acceptance of a 5-day delivery-selling week and provision for many of the so-called fringe benefits. Traditionally, bakery products have been delivered 6 days a week. Many bakeries use either of two alternatives. By one, an extra driver-salesman is hired for every five routes and he substitutes for a different routeman each day, Monday through Friday. Stores continue to receive fresh merchandise 6 days a week. This system adds the extra cost of the "swingman," as the substitute is called, to the bread distribution cost plus the difficult-to-measure factor of possibly lower productivity of the swingman who travels a different route every day. Opposed to this is the straight 5-day plan where no merchandise is delivered on one of

TABLE 3.—*Baker-wholesaler margins for a 1-pound loaf by cost items for 18 multiplant companies, 1945 and 1955, and estimated margin for the whole industry, 1957*

| Cost item | Margin | | Estimated margin, 1957 |
|---|---|---|---|
| | 1945 | 1955 | |
| | *Cents* | *Cents* | *Cents* |
| Wages and salaries | 1. 91 | 4. 66 | 5. 1 |
| Fringe benefits, Social Security taxes, and officer compensation | . 08 | . 35 | . 4 |
| Packaging and wrapping material | . 38 | 1. 01 | 1. 1 |
| Delivery other than wages and salaries | . 29 | . 71 | . 9 |
| Advertising and products bought for resale | . 19 | . 58 | . 7 |
| Other costs | . 82 | 1. 74 | 2. 3 |
| Profits (after taxes) | . 22 | . 51 | |
| Total | 3. 89 | 9. 56 | 10. 5 |

the midweek days. Higher losses from stale bread and greater promotion costs to retain market position are said to accompany this plan.

One study indicates that the number of loaves delivered per route, which had been increasing prior to 1945, decreased 28 percent from 1945 to 1953.

Payments to driver-salesmen in the form of salaries and commissions claim as much of the sales dollar as wage payments to plant labor. It is in this cost factor that chainstore bakeries derive their greatest advantage. Working in many cases at night when street traffic is at a minimum, the chainstore driver and helper in a semitrailer drop bakery goods off at stores without giving time to either cash transactions or rack display. The latter is done by store employees. In contrast, an average wholesale bakery driver-salesman calls on 50 or so large and small grocers during store hours, transacts business with the management, and strives for favorable rack display position. In short, the wholesale bakery delivery systems which were developed to meet the individual needs of the neighborhood retail grocery have become progressively more costly. The local wholesale bakery delivery system has come to bear a closer resemblance to a retail operation than to the high volume cost-cutting wholesale delivery system developed by chainstore bakeries to serve their outlets.

Aside from sales commissions, selling expense includes vehicle expense, advertising, overhead, and loss from stale bread. Vehicle expense and a portion of the driver's commission make the cost of moving a loaf of bread from a west-side city bakery to an east-side grocery store greater than that of transporting by rail the wheat equivalent from western North Dakota to the east coast.

Other bakery costs per loaf also have risen (table 3). Some have more than tripled since 1945. For instance, the combined costs of advertising and promotion and of bakery products bought for resale are more than 3 times what they were in 1945. It appears that packaging and wrapping materials also have risen in about the same proportion. Delivery expense,

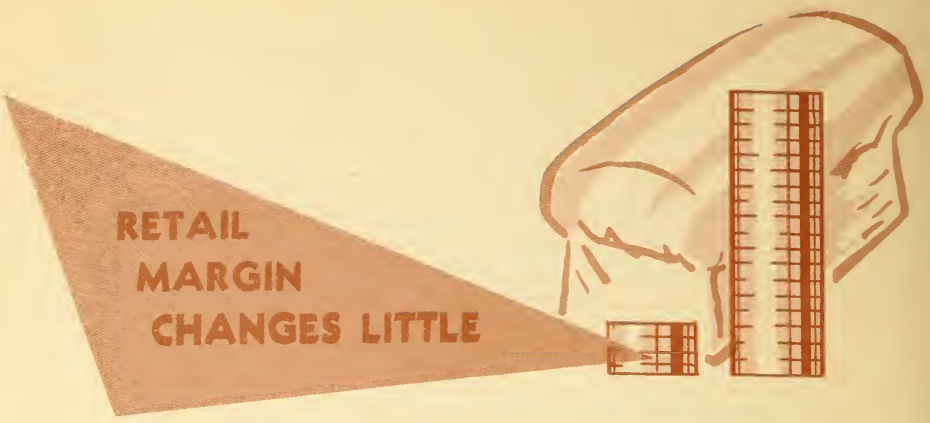
other than wages and salaries, has more than doubled, and other items have shown gains of 100 percent or more.

Profits (after taxes) per loaf for baker-wholesalers were about twice as high in 1950 as in 1945. In 1955 they had decreased slightly in the multiplant bakeries and dropped back to the 1945 level in a comparable analysis of single-unit bakeries.

Profits (after taxes) of 6 leading baking companies declined from approximately 4 percent of sales in 1948 and 1949 to 2.3 percent of sales in 1956 and 1957 (fig. 5). Profits (after taxes) of these 6 leading baking companies decreased from a high point of 21.9 percent of stockholder equity in 1948 to about 11.0 percent during 1954–57.

TABLE 4.—*Hourly earnings of bread bakery employees, 1951–57*

| Year | Actual earnings including overtime (dollars) | Index (1951 = 100) |
|---|---|---|
| 1951 | 1. 43 | 100 |
| 1952 | 1. 52 | 106 |
| 1953 | 1. 60 | 112 |
| 1954 | 1. 68 | 117 |
| 1955 | 1. 75 | 122 |
| 1956 | 1. 84 | 129 |
| 1957 | 1. 92 | 134 |




The retail grocer receives about 3.1 cents a loaf on an average for his services. In 1948 this retail margin was 2.4 cents. It increased to 2.8 cents in 1949 and fluctuated considerably before reaching the 3.1 level in 1957. Though the retail margin increased in cents per loaf, it gradually decreased as a percentage of the retail price. In 1948 it represented 18 percent of the retail price and 16 percent in 1958.

The larger tonnage volume of the average grocery today compared with that before World War II explains in part the fact that the retailer's margins on bread have not advanced with the general rise in bread prices.

Chainstore retail margins are not available. However, trade reports for 1957 for 100 cities indicate that proprietary brand bread prices were about 4 cents per pound loaf below retail prices in stores buying from wholesale bakeries. These lower prices, the large volume associated with chainstore units, and the streamlined distribution systems of chainstore bakeries suggest lower gross margins at the store level.

Retail margins of house-to-house bakeries and retail bakeries also are unknown. Here the amount of personal selling per pound of product reaches its maximum and it is reasonable to expect that the retail margin would exceed that of any other segment of the bread baking industry.

For information on trends in marketing margins for wheat and white bread for years before 1947, see the "Farm-to-Retail Margins for White Flour and White Bread," December 1948, and "The Marketing and Transportation Situation," May–June 1952, February 1954, and January 1955. These data are similar but not completely comparable to the present report.

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